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10 MAR 1978

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MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director for Administration

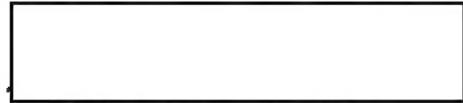
FROM: Robert W. Gambino
Director of Security

SUBJECT: Senate Select Committee on Intelligence (U)

1. (U) Action: None; for your information.

2. (C) Background: The New York Magazine has run a series of articles by Edward J. Epstein entitled, "War of the Moles." The 13 March 1978 edition indicates that Epstein obtained information for his article from an SSCI source. I have also been informally advised that a document containing classified information concerning oil production has allegedly been leaked by the same Committee.

This Office has taken no action with reference to these leaks but is prepared to do so should you desire that we play an active or advisory role in any investigation concerning these leaks.



Robert W. Gambino

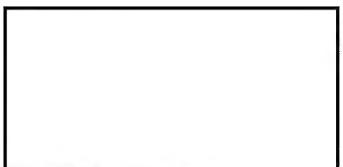
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THE WAR OF THE MOLES, CONTINUED

In the two weeks since "New York" began publishing the two-part article "The War of the Moles," by Edward Jay Epstein, Intelligence has come into possession of new information which throws into even sharper focus the spirited war between the intelligence agencies of the Soviet Union and the United States.

The Capture of Agent X

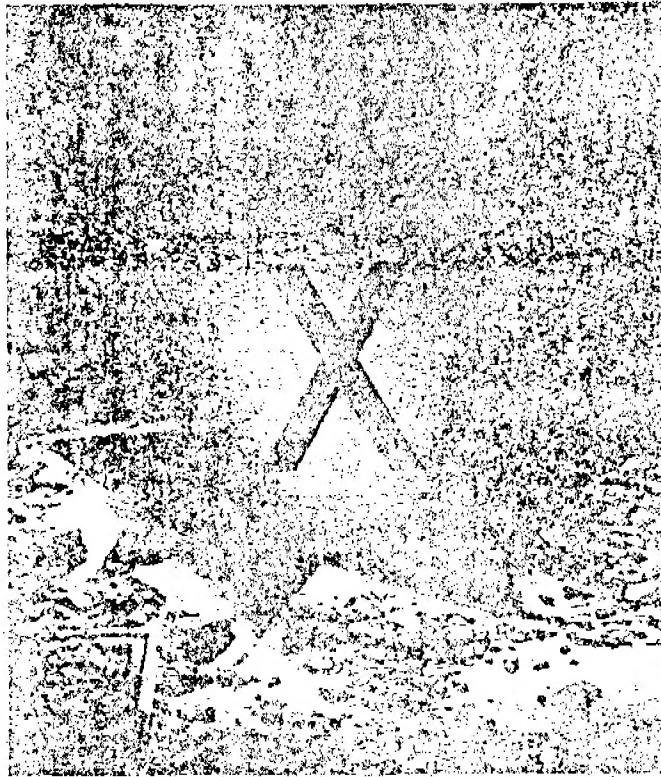
Though it is still a closely guarded secret in Washington, the CIA is now reeling from the capture within the last few months of its most important agent in the Soviet Union. The documents passed by this "mole" to the CIA were regarded as the most valuable intelligence on Soviet plans since the material furnished by Colonel Oleg Penkovsky before his exposure in 1962.

According to a Senate source with access to intelligence oversight, the CIA has been hoping that the capture of this valued "mole" (referred to hereafter as Agent X) would remain secret. But within the CIA, this disaster poses once more the enigma that has haunted it for twenty years: How has the KGB been able to ferret out every important western "mole" since 1959?

To Catch a Mole

As a former deputy director of the CIA's Soviet Russia section has pointed out, "It takes a mole to catch a mole." By this he meant that the Soviets could only have caught Agent X and his predecessors by having their own man (or men) planted in U.S. intelligence.

Is this conceivable? Many U.S. intelligence officials put the question the other way around. The Soviets have demonstrably infiltrated every other western intelligence service. Their triumphs have included emplacement of such moles as Kim Philby in Great Britain, Heinz Felfe in West German counterintelligence, and the Topaz ring in French intelligence. To many top CIA officials, it seems inconceivable that the Soviets have not made every effort to infiltrate U.S. spy agencies, which they consider



Caught: How did the KGB sniff out our mole in Moscow?

the main enemy. The recent capture of Agent X seems to be just one more link in a long chain of evidence that the Soviets have been successful in such efforts.

Did the FBI Betray Popov?

In 1959, the CIA was stunned by the capture of its only mole in the Soviet Union—Colonel Peter S. Popov. In the postmortem on this disaster, the CIA is known to have focused some suspicion on the FBI's New York office.

One of Popov's last messages concerned the arrival by plane in New York of a female Soviet agent. The CIA turned this information over to the FBI, whose prerogative of maintaining security within U.S. borders had always been zealously guarded by J. Edgar Hoover. But soon after Popov's news had been rooted to the FBI, Popov was caught in Russia.

To this day, the suspicion in the CIA persists that a person (or persons) in the FBI's New York office betrayed Popov on receipt of his information.

The Man From the KGB

into this atmosphere of suspicion came the crucial figure of Anatoli M. Golitsin. (Details of this case were outlined by Edward Jay Epstein in New York, February 27.) In brief, this high-level defector from Moscow stated that there were Soviet moles already in place, not only in the FBI but also in the CIA.

Golitsin added that the mole within the CIA had been activated in 1957 by V. M. Kovshuk, one of the highest-ranking Soviet executives in the KGB, who paid a personal visit to the United States using a fake diplomatic passport for cover. (Given Kovshuk's high position, it

was as though James Angleton had been sent on a personal visit to the Soviet Union.)

Golitsin's good faith was buttressed by his disclosure that the Soviets had a minor mole in the CIA, code-named Sasha. Sasha was subsequently identified as a contract employee working out of Germany. Soon after, he was photographed in contact with the Soviets and then rapidly retired out of the service.

Sullivan's Last Suspicions

At the same time, the FBI received indisputable evidence that it had been penetrated. Three topsecret documents had vanished from its Washington office. Hopes that they had merely been mislaid were shattered when a Soviet diplomat offered to sell back these same documents to a United States naval attaché for \$10,000. This episode convinced William C. Sullivan, deputy director of the FBI, that Soviet moles were in place in the FBI.

For fifteen years, Sullivan came to believe, the Soviets had been passing misinformation to the FBI through Agent "Fedora," a person trusted by Hoover as an asset of extraordinary value. Not only did Sullivan consider that Fedora, working in the Soviet U.N. delegation in New York, was a plant; he also inferred that Fedora must be receiving support from another Soviet agent actually employed by the FBI in New York. Sullivan was openly avowing these conclusions to Epstein shortly before his death in a hunting accident in the fall of 1977. (At one point Sullivan believed he had identified the Soviet operative inside the FBI, but the investigation was terminated on orders from Washington.)

The Zep Factor

In 1962 came another disaster: the capture of Colonel Oleg Penkovsky. The official account put out by the Soviets was that Penkovsky had been detected through routine surveillance. Such a version would evidently provide a protective umbrella for a betrayer of Penkovsky, working for the Russians within the CIA (or any other intelligence service). Indeed, CIA counterintelligence still had some doubts on the case.

Its reasoning displays the Byzantine workings of counterintelligence. On his release from the Soviet Union in 1962, the British agent Greville Wynne reported that the KGB in the course of interrogation had quizzed him about someone named "Zep." Since Zep was a girl in London with whom Penkovsky had been briefly in-

volved in 1961, the CIA surmised that the Russians had Penkovsky under close surveillance well before the time he had officially come under suspicion. This once again suggested the existence of a Soviet mole somewhere in the CIA.

The War Within the CIA

It is hard to overestimate the fears, suspicions, and paranoia generated within the U.S. intelligence agencies by the hunt for the Soviet moles. At the height of the debate over the credentials of Yuri Nosenko (who defected in 1964, claiming that Oswald had had no contacts with the KGB), no less a person than the head of the Soviet Russia Division within the CIA was accused by one of his own men of being a Soviet agent. It was only after a full investigation by the FBI that

the head was exonerated.

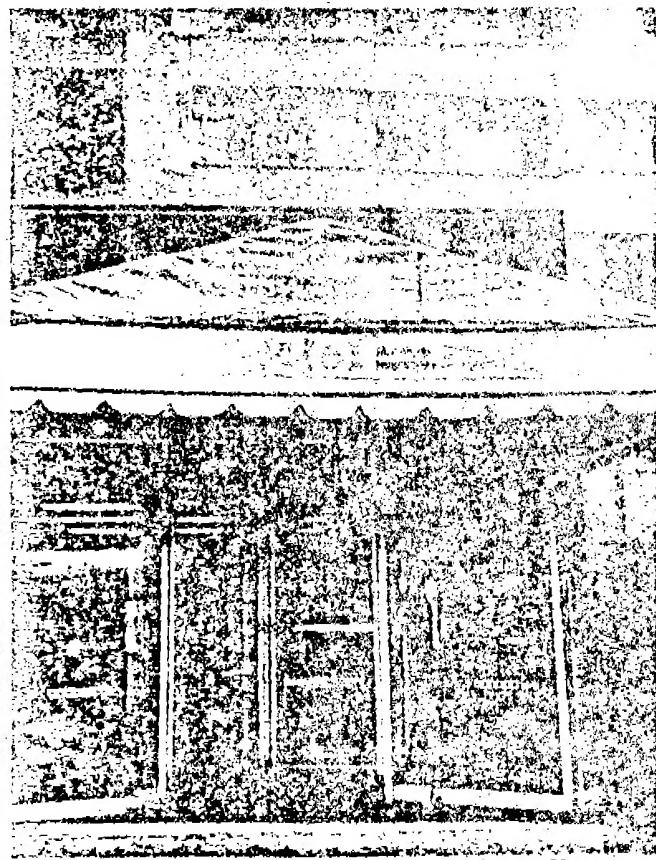
Mutual suspicion between the CIA and FBI of each other's moles and sources became so intense that in 1971 Hoover broke off relations with the agency. The war within the CIA itself came to a head with Director William Colby's summary firing of Angleton and forced resignation of his three top aides at the end of 1974.

In the wake of the Colby massacre, the notion of a Soviet mole within the CIA was dismissed as "sick think." But the capture of Agent X has once again brought the issue to the fore. Now that it is known that Nosenko, actually indicted by the CIA's Soviet Russia Division as a Soviet spy, has been rehabilitated and is handling 120 cases for both the CIA and the FBI, the simple question has to be asked: Did he have any access to the Agent X

case before the latter's capture?

Admiral Stansfield Turner, director of the CIA, confided last month in a secret session of the Senate Intelligence Oversight Committee that he considered the disclosures made by Frank Snepp, the author of the CIA exposé *Decent Interval*, one of the most serious problems facing the agency. Turner now might ask himself if the prosecution of Snepp for his innocuous revelations is really as pressing a problem as detection of the presumed betrayer of Agent X.

Over at the FBI, its new head, Judge William Webster, might also inquire why the bureau, which has spent so many years harrying presumed Communist subversives in other organizations, has yet to ferret out the cause of so much suspicion within its own New York office.



The house on 69th Street: Does a Russian agent go through these doors every day to work for the FBI? Suspicion exists that an FBI-agent, working for the Soviets, may have been responsible for the capture of our mole within the KGB. The "Agent X" case has a precedent in the apprehension of Colonel Oleg Penkovsky. The circumstances surrounding his arrest indicated the presence of a Soviet mole within the CIA.